

MINUTES
Highway Expansion and Extension Loan Program

Advisory Committee Meeting
February 1, 2000

Committee Members Present:

Victor Mendez
Cliff Potts
Bruce Hilby

Gary Magrino
Paul Schwartz
Jeff Martin

Members Absent: Tami Ryall

Others Present:

John McGee, ADOT
Shawn Dralle, ADOT
Bob Miller, ADOT
Tim Ahrens, ADOT
Anna-Marie Perry, ADOT

Vicki Tsutsumida, FHWA
Don Herp, City of Phoenix
Val Carrola, ADOT
Ellen Damron, ADOT
Evamae Nye, ADOT

Call to Order

Mr. Mendez, Chair designee, called the meeting to order at 1:10 p.m. A quorum was present: Bruce Hilby; Gary Magrino; Victor Mendez; Paul Schwartz. Mr. Martin and Mr. Potts joined the meeting at 1:15 p.m.

Mr. Mendez reported that a request was made to defer Agenda Item #4. There was no objection.

Adoption of the Minutes of the January 4, 2000 meeting:

Mr. Mendez called for approval of the minutes of the January 4, 2000 meeting. Mr. Schwartz moved for approval. Mr. Magrino seconded the motion. Motion carried unanimously.

Staff Report

Ms. Dralle reviewed the charts included in the packet depicting the difference between five-year treasury interest rates and the municipal interest rates for the last year. She also reviewed the chart developed on credit rating and the municipal interest rates at 90%, 80%, and 70%, which gives an example of the type of interest rate the Committee may be considering when taking into account the applications, credit factors and the maturity of the loan requested. Ms. Dralle noted that it is the prerogative of the Committee and the Board to determine a municipality's interest rate subsidy. The interest rate is set when the Board approves the loan repayment agreement.

Ms. Dralle noted that the statute states that the Committee has the ability to grant funds at or below market to make the loan economically feasible. Mr. Hilby asked that this be an agenda item for the next meeting.

Mr. Martin reported that the Maricopa Association of Governments (MAG) has an interest rate subsidy policy and they fund that subsidy. He stated that the Committee should make the loans more attractive for other entities in the state. Mr. Ahrens suggested that the rate of interest may depend on how many loans the Committee has out and how much money there is available.

Ms. Dralle discussed with the Committee possible meeting sites for the HELP Committee in the upcoming months. As part of the Committee's outreach program, one or two meetings would be scheduled on the Thursday before the State Transportation Board Meeting. After discussion, the locations determined were Tucson in April and Payson in August. Staff will put together an itinerary for the Committee before a final decision is made.

Ms. Dralle also stated that the next \$25 million Board Funding Obligation (BFO) draw from the State Treasurer for deposit into the HELP fund will occur on March 1.

Ms. Dralle reported that the agenda packet contained a copy of the official letter from City of Chandler withdrawing their application for a HELP loan. Also included in the agenda packet was a copy of Governor Hull's letter to the co-chairs of the Vision 21 Task Force. Ms. Dralle noted a paragraph in the letter stating that the Governor had established some potential guidelines to be used for prioritizing transportation projects in the state, which happen to be the same criteria as the Committee has in the HELP application for prioritization.

HELP Application Review

Ms. Dralle reported on the Technical Review Team's recommendations on the application from the City of Phoenix to advance the final mileage on the SR 51 to Loop 101 and the project from ADOT on advancement of SR 260 - Show Low to Pinetop.

The City of Phoenix's request for a \$25.6 million loan (for construction) was discussed in considerable depth. In the final analysis, the Technical Team's recommendation was that the City needed to provide additional information and recommended a meeting with the City of Phoenix and with MAG, either jointly or separately, to discuss the implications of moving the project forward out of the prioritization having to do with the overall Regional Freeway System. It was noted that until this project is approved by MAG, the project could not move forward.

Mr. Mendez stated that if a certain entity is willing to pay for acceleration, he didn't believe the MAG priorities would be any barrier.

Mr. Martin reported that the current Highway Project Advancement bill in the state legislature has passed the House and is in the Senate. He stated that it might present another option for the City of Phoenix. The interest may not be at the lower market rate but there would be the MAG subsidy loan; so, the Highway Advancement loan would be at an attractive interest rate. He believed that the Highway Project Advancement bill is going to pass.

Mr. Magrino asked for a report with the top cap on the three separate categories: MAG, PAG and statewide, to show how much is committed and how much is left.

Mr. Martin explained that the loan policy adopted by MAG encourages the cities to take advantage of the creative financing techniques available. MAG provides a subsidy to reduce the interest rate. As part of the loan policy, MAG requires that any time a community enters into a SIB or GAN loan etc., the project has to be approved by MAG.

Mr. Don Herp, of the City of Phoenix, stated that it was his understanding that if the City was going to the HELP fund that he would not have to get MAG's approval. It was noted that when the time comes for the project in the MAG program, it would be the MAG dollars that would be paying back the HELP fund.

Mr. McGee stated that any time changes are made to the TIP, the Department cannot do it arbitrarily. MAG by statute has the authority to set the priorities on the freeway system. As an advancement, it may change MAG's air quality modeling or mobility, and, therefore, it has to be approved by MAG and report that it will be through the HELP or Highway Project Advancement.

Mr. Hilby asked that some information regarding the criteria of a project being submitted to the MPO or COG for approval should be in the application handbook. Mr. Hilby stated that if MAG has a process to go through, he felt that MAG and the City of Phoenix should work it out. In his opinion, the Advisory Committee should not have to wait. He suggested that the HELP Committee approve the loan, and let MAG and the City work out the technicalities.

Mr. Martin moved to support Phoenix's proposed project, and requested that the City take the project to MAG for approval and come back to this Committee for further consideration. Mr. Mendez reminded the Committee that there is a three-month timetable to negotiate.

Mr. Schwartz seconded the motion.

Mr. Hilby moved that the Committee approve the City of Phoenix's application for the \$25.6 million.

Mr. Schwartz stated that he had not heard any recommendations from the Technical Team. Ms. Dralle addressed his questions saying the team's discussion was very similar to the discussion of the Committee. The Technical Team had no qualms about the project from economic development, mobility, and air quality factors. Mr. Schwartz asked for a written report or that the Technical Team has some report in the minutes that the Technical Team recommends a specific project.

Mr. Schwartz seconded the motion.

Mr. Mendez called for comments.

Mr. Potts requested a clarification of the 50%, 20%, 25% formula for the distribution for monies. Mr. Ahrens responded that there are two parts. The percentage delineation and also the MAG situation. Preliminary cash flow runs with the added ADOT projects, both statewide and PAG, show additional funds available for loans. This indicated that there is opportunity to process "quick" loans. It was noted that the City of Phoenix's loan is for 2 years.

Mr. Magrino expressed his concern that the Committee is undermining the regional governing authority. Mr. Potts concurred with Mr. Magrino. He asked for more information regarding how MAG envisioned the HELP fund accelerating the program. He agreed with Mr. Hilby that the one piece of SR 51 should go forward but stated that there may be some good reasons by the planning authority for their prioritization of the project.

Mr. Martin stated that he wanted to clarify his nay vote, so that Mr. Herp understands that he is not voting against the City of Phoenix, that he did not want to rush into the approval, and that he believes the Committee should have the input of MAG first.

Mr. Mendez called for a vote. The motion passed by a vote of 3 ayes and 2 nays, with Mr. Mendez not voting.

The second project for consideration was a state project for a \$6 million pavement preservation project on SR 260 between Show Low and Pine Top. It was noted that it is a short advance but part of a broader scheme of advancing statewide projects.

Bob Miller, Assistant State Engineer for Statewide Project Management, gave a brief overview of the project, and an overview of the statewide portion of the advancement. The Department has not released any information on the 13 other counties on the 25% share of the advancement. Mr. Miller stated that the reason is the district engineers are working with their COGs to get consensus as to the projects that ADOT is considering advancing.

One of the projects to be advanced to accommodate the road grade SR 260 widening of the existing roadway to a 4 or 5 lane divided highway between Show Low to Pine Top is also on SR 260. The Department believes it to be detrimental to the area for mobility and to economic livelihood to that tourist area to have an almost 17 mile stretch under construction during their peak tourist season. The Department would advance this project to advertise in March to begin construction the summer of 2000 to advance the other project on SR 260 in the summer of 2001.

Mr. Martin moved to approve the application for SR 260.

Mr. Hilby asked if the Department will make a recommendation for the 25% share of statewide monies as it had done on the Regional Freeway System. Mr. Miller responded that the Department will visit the COGs as the statewide program is developed for concurrence, just as the Department went to PAG for concurrence on the direction the Department is heading on the projects that the Department will be recommending for acceleration in Pima County. It was noted that the philosophy of the Department is to have enough projects to accelerate to cover the \$300 million but yet recognize that the local governments will want to advance certain projects.

Mr. Hilby asked if the \$5.6 million for SR 260 was out of the 25% or the BFO \$300 million. Mr. Ahrens responded that it is out of the state highway funds

Mr. Magrino asked that the COG approval be clarified. Mr. Miller stated that it is his understanding that the district engineer has discussed the pavement preservation project on SR 260 project with the Northern Arizona Council of Governments (NACOG) but he did not believe that there was a report back. He added that if there is any hope of accelerating the SR 260, this project has to be done first. Mr. Magrino stated that this is an excellent project, but he wanted security that the project is in the best interest of the region.

Mr. Potts added that even if the projects are added into the TIP, it is usually some time before a project in the line of prioritization gets into the Five-year Program. Mr. Potts said he did not believe that NACOG would object to the acceleration of the project. The Committee is just initiating the process. He concurred with Mr. Hilby that he believed the whole intent of the Committee is to move forward as rapidly as possible for the projects and urged the Committee to vote in favor of accelerating this project.

Mr. Hilby reemphasized that the Committee needs to approve these loans to get the process moving. He stated that the staff made a clear recommendation for approval of this project.

Mr. Magrino seconded the motion.

Mr. Mendez called for a vote on the motion of the SR 260 advancement project. The motion passed unanimously.

Mr. Mendez stated that there has been considerable debate on the process and felt perhaps at the next meeting there would be an agenda item to clarify the process and what needs to be approved.

Mr. Schwartz asked for clarification of terminology between what the Department defines as “pavement preservation” and “reconstruction”. Mr. Miller stated that maintenance is the Department’s normal maintaining of projects, and the pavement preservation program, which is short of reconstructing, is a significant increase of the structure of the pavement, giving about a 10 to 12 year life on the pavement, which is significantly more than regular maintenance.

Mr. Schwartz asked Ms. Dralle if the Committee is able to approve or disapprove a maintenance project, if it comes before the Committee. Ms. Dralle stated that it would be allowed under the federal statutes as well as the Arizona statutes.

Mr. Magrino noted that he would feel more positive if the local area of governments agree upon the projects that come before the Committee.

Ms. Dralle discussed the Pima County planned acceleration program in order to identify some projects that fall under the 25% of the HELP fund allocated to statewide program. PAG Transportation Committee has approved the plan to send on to their Regional Council for approval. Ms. Dralle stated that upon approval by the Regional Council, the Committee could expect to see applications some time in mid year.

Mr. Martin thanked Bob Miller for his work on the statewide projects.

Agenda Item #4 was deferred until the next meeting.

Discussion took place on the status of the proposed Highway Project Advancement legislation. It was reported that HB 2100 had passed the House; SB 1440 was to be heard the following Thursday.

In response to Mr. Magrino’s status of the Cochise County project, it was reported that the county had expressed that it is now not interested in the HELP loan.

There being no further discussion, the meeting adjourned at 3:00 p.m.

Next meeting March 7, 2000.